

Al-Mubarak SAR Trade Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020



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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF AL-MUBARAK SAR TRADE FUND (MANAGED BY ARAB NATIONAL INVESTMENT COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Mubarak SAR Trade Fund (the "Fund") managed by Arab National Investment Company (the "Fund Manager") as at 30 June 2020, and the related interim condensed statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.


Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young


Rashid S. AlRashoud
Certified Public Accountant
License No. 366

Riyadh: 28 Dhul-Hijjah 1441H
(18 August 2020)



Al-Mubarak SAR Trade Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	<i>Note</i>	<i>30 June 2020 SR</i>	<i>31 December 2019 SR</i>
ASSETS			
Investments in sukuks at amortized cost	6	-	120,000,000
Murabaha placements at amortized cost	5,7	3,167,000,000	2,122,000,000
Accrued special commission income		12,238,320	13,787,659
Bank balances	5	21,307,816	272,389
TOTAL ASSETS		3,200,546,136	2,256,060,048
LIABILITIES			
Management fees		1,665,198	1,197,833
Accrued expenses		34,606	89,698
TOTAL LIABILITIES		1,699,804	1,287,531
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		3,198,846,332	2,254,772,517
TOTAL LIABILITIES AND EQUITY		3,200,546,136	2,256,060,048
Redeemable units in issue		147,869,782	105,169,155
Net asset value attributable to each per unit		21.63	21.44

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

	<i>Note</i>	<i>2020 SR</i>	<i>2019 SR</i>
INCOME			
Special commission income		30,289,764	33,336,394
TOTAL INCOME		30,289,764	33,336,394
EXPENSE			
Management fees	8	(3,025,267)	(2,106,031)
Other fees	8	(280,436)	(222,196)
TOTAL EXPENSE		(3,305,703)	(2,328,227)
NET INCOME FOR THE PERIOD		26,984,061	31,008,167
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		26,984,061	31,008,167

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	2,254,772,517	1,685,830,739
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,984,061	31,008,167
ISSUANCE AND REDEMPTIONS OF UNITS		
Issuance of units during the period	2,004,742,157	1,021,878,643
Redemptions of units during the period	(1,087,652,403)	(365,926,015)
Net changes in units	917,089,754	655,952,628
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	3,198,846,332	2,372,791,534

REDEEMABLE UNIT TRANSACTIONS

Transactions in units made for the period ended 30 June are summarized as follows:

	2020 Units	2019 Units
UNITS AT THE BEGINNING OF THE PERIOD	105,169,155	80,822,915
Issuance of units during the period	93,222,293	48,700,877
Redemptions of units during the period	(50,521,666)	(17,417,325)
Net changes in units	42,700,627	31,283,552
UNITS AT THE END OF THE PERIOD	147,869,782	112,106,467

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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

	<i>Note</i>	2020 SR	2019 SR
OPERATING ACTIVITIES			
Net income for the period		26,984,061	31,008,167
Changes in operating assets and liabilities:			
Decrease in Investments in sukuks at amortized cost		120,000,000	-
Increase in murabaha placements at amortized cost		(868,000,000)	(705,000,000)
Decrease (increase) in accrued special commission income		1,549,339	(5,413,905)
Increase (decrease) in accrued management and other fees		412,273	(837,134)
Redemption payable		-	(15,958,799)
Net cash flows used in operating activities		(719,054,327)	(696,201,671)
FINANCING ACTIVITIES			
Proceed from issuance of units		2,004,742,157	1,021,878,643
Payment on redemption of units		(1,087,652,403)	(365,926,015)
Net cash flows from financing activities		917,089,754	655,952,628
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		198,035,427	(40,249,043)
Cash and cash equivalents at the beginning of the period		220,272,389	287,957,332
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	418,307,816	247,708,289

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

Al-Mubarak SAR Trade Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2020

1. GENERAL

Al-Mubarak SAR Trade Fund (the "Fund") is an open-ended fund. The investment objective of the Fund is to provide capital preservation and short term capital growth, through investing in Shariah-compliant conservative transactions. The Fund was established on 4 Jumada Thani 1413H (corresponding to 4 May 1999) by Arab National Bank ("the Bank").

In accordance with the Capital Market Authority's (CMA) decision No.1-83-2005 dated 21 Jumada Awal 1426H (corresponding to 28 June 2005) issued by the CMA Board in connection with the regulations relating to Authorised Persons, the Bank has transferred its asset management operations to the Arab National Investment Company ("the Fund Manager"), a wholly owned subsidiary of the Bank, effective 1 January 2008.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006), and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations ("Amended Regulations") published by the Capital Market Authority on 16 Sha'aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia .

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements and should, therefore, be read in conjunction with the annual financial statements for the year ended 31 December 2019.

These interim condensed financial statements have been prepared on a historical cost basis using the accrual basis of accounting and going concern concept.

These interim condensed financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund, and all values are rounded to the nearest one Saudi Riyal, except where otherwise indicated.

Results for the interim reporting period are not necessarily indicative of future periods.

3.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2019. There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of interim condensed financial statements in conformity with IFRS as endorsed in the KSA requires the use of certain critical accounting judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Such judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Significant areas where management has used estimates, assumptions or exercised judgment are as follows:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

Going concern

The Board of Directors in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the interim condensed financial statements continue to be prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

	30 June 2020 SR	31 December 2019 SR
Bank balance	21,307,816	272,389
Murabaha placements with an original maturity of three months or less	397,000,000	220,000,000
	<u>418,307,816</u>	<u>220,272,389</u>

6. INVESTMENTS IN SUKUKS AT AMORTIZED COST

	Maturity date	30 June 2020 SR	31 December 2019 SR
Saudi British Bank-Sukuk-III	28 May 2025	-	45,000,000
Riyadh Bank- Sukuk	24 June 2025	-	75,000,000
		<u>-</u>	<u>120,000,000</u>

Investments in Sukuks at amortized cost are subject to an impairment assessment based on the expected credit loss (ECL) model as per IFRS 9. The management has assessed that the provision under the ECL model is not significant.

7. MURABAHA PLACEMENTS AT AMORTIZED COST

Murabaha placements are an Islamic mode of money market placements with counterparties in Saudi Arabia and the rest of the Middle East.

Investments in Murabaha placements at amortized cost are subject to an impairment assessment based on the expected credit loss (ECL) model as per IFRS 9. The management has assessed that the provision under the ECL model is not significant.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

8. TRANSACTIONS WITH RELATED PARTIES

As per the agreement, the Fund is required to pay a management fee at the maximum rate of 0.2% per annum calculated based on the total net asset value at each valuation date. In addition, the Fund manager also charges other fees at a maximum rate of 0.50% per annum calculated based on the total net asset value at each valuation date to meet other expenses of the Fund.

The management fees amounting to SR 3,025,267 (30 June 2019: SR 2,106,031) and other fees amounting to SR 280,436 (30 June 2019: SR 222,196), reflected in the interim condensed statement of comprehensive income, represent the fees charged by the Fund Manager during the period as described above.

The accrued management and other fees payable to the Fund Manager at the period end are disclosed in the interim condensed statement of financial position.

The Bank (parent of the Fund Manager) acts as the Fund's banker. During the period, the Fund has earned special commission amounting to SR 7,230,031 (30 June 2019: SR 4,179,903) on the Murabaha placements made with the Bank.

The Unitholders' account at 30 June included units held as follows:

	<i>30 June 2020 Units</i>	<i>30 June 2019 Units</i>
Held by the Fund Manager	5,173,905	970,852
Held by other funds under the same management	95,210	114,845
Held by employees of the Bank	73,596	331,130
	<u>5,342,711</u>	<u>1,416,827</u>

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund's management assessed that the fair value of bank balances, short-term Murabaha placements and accrued special commission income approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term Sukuks and Murabaha placements are evaluated by the Fund based on parameters such as commission rates, specific country risk factors, and individual creditworthiness of the counterparties. Based on this evaluation, allowances are taken into account for the expected losses of these Long-term Sukuks and Murabaha placements. The expected credit losses of these Long-term Sukuks and Murabaha placements as at 30 June 2020 and 31 December 2019 was assessed by Fund's management to be insignificant.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

10. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>As at 30 June 2020</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Murabaha placements at amortized cost	2,770,000,000	397,000,000	3,167,000,000
Accrued special commission income	12,238,320	-	12,238,320
Bank balances	21,307,816	-	21,307,816
TOTAL ASSETS	2,803,546,136	397,000,000	3,200,546,136
LIABILITIES			
Management fees	1,665,198	-	1,665,198
Accrued expenses	34,606	-	34,606
TOTAL LIABILITIES	1,699,804	-	1,699,804
 <i>As at 31 December 2019</i>	 <i>Within 12 months SR</i>	 <i>After 12 months SR</i>	 <i>Total SR</i>
ASSETS			
Investments in Sukuks at amortized cost	120,000,000	-	120,000,000
Murabaha placements at amortized cost	220,000,000	1,902,000,000	2,122,000,000
Accrued special commission income	13,787,659	-	13,787,659
Bank balances	272,389	-	272,389
TOTAL ASSETS	354,060,048	1,902,000,000	2,256,060,048
LIABILITIES			
Management fees	1,197,833	-	1,197,833
Accrued expenses	89,698	-	89,698
TOTAL LIABILITIES	1,287,531	-	1,287,531

11. LAST VALUATION DAY

The last valuation day of the period / year was 30 June 2019 (2019: 31 December 2019).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

12. IMPACT OF COVID-19 ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of interim condensed financial statements for the six months period ended 30 June 2020, the Fund’s operations and financial results have witnessed impact due to the COVID-19 outbreak mainly as result of additional expected credit losses in the Fund’s financial assets measured at amortised cost driven by changes in the macroeconomic factors and assumptions. The impact of the pandemic on the Fund’s operations and financial results till the date of the interim financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

13. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the management on 28 Dhul-Hijjah 1441H (corresponding to 18 August 2020).